



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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June 7, 2007

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**RECOMMENDATION TO AWARD A CONTRACT
FOR THE ANNUAL COUNTY FINANCIAL AUDIT
(ALL DISTRICTS) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Award and instruct the Chairman of the Board to sign a three-year agreement with Macias Gini & O'Connell LLP to perform annual audits of the County's financial statements and grants as required by the Federal Single Audit Act, effective upon Board approval.
2. Authorize the Auditor-Controller to sign options to extend the agreement for up to two additional years.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

This action will provide for continuation of annual audits of the County's financial statements and grants. The County annually receives approximately \$3.3 billion in federal funding. In order to continue to receive this funding, the Single Audit Act requires the County to have an annual audit performed by an independent audit firm. In addition, the County needs audited financial statements to demonstrate to the investment community (and the public) the accuracy of the County's accounting records and to verify the financial condition of the County.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This action is consistent with the Countywide Strategic Plan, Goal 4, Fiscal Responsibility, by ensuring that the County's financial condition is reported accurately and in accordance with generally accepted accounting principles.

FISCAL IMPACT/FINANCING

The proposed contract is for a three year term starting with the 2006-2007 audit, with a County option to renew for an additional two years. The maximum contract costs for the first, second, and third year are \$987,260, \$1,035,204, and \$1,089,726, respectively. If approved, the option to renew would be exercised at the discretion of the Auditor-Controller.

Funds are available in the 2006-2007 Nondepartmental Special Accounts budget to finance the 2006-2007 audit. Ongoing yearly appropriations will be necessary to finance subsequent years' audit costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The County is legally required under the Single Audit Act to have such an audit performed.

CONTRACTING PROCESS

The Auditor-Controller sent invitations to bid to 24 accounting firms and also posted the solicitation information on the County of Los Angeles Online Web Site and Office of Small Business website. On April 11, 2007, the Request for Proposals (RFP) was sent to ten accounting firms which had responded to our invitation to bid. Two proposals, from Macias Gini & O'Connell LLP and KPMG LLP, were received by the May 14, 2007 submission deadline.

Representatives from the Auditor-Controller, Department of Public Works and Department of Health Services evaluated the two proposals. Macias Gini & O'Connell LLP was selected as the highest ranked firm to provide the required services. Although slightly higher in cost, the Macias Gini & O'Connell LLP proposal is recommended as the most responsive and the best value for meeting the needs of the County's annual financial audit.

Honorable Board of Supervisors
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IMPACT ON CURRENT SERVICES (OR PROJECTS)

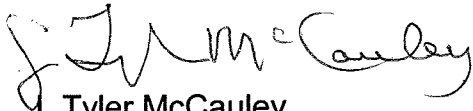
None.

CONCLUSION

We have negotiated the attached contract, which has been approved as to form by County Counsel.

Upon execution by your Honorable Board, please return two original copies of the contract to the Auditor-Controller.

Respectfully submitted,


J. Tyler McCauley
Auditor-Controller

JTM:JN:CY

Attachments (1)

c: Chief Administrative Officer
Executive Officer, Board of Supervisors
County Counsel